

**Monthly Operating Report
ACCRUAL BASIS**

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054
JUDGE:	Stacey Jernigan

**UNITED STATES BANKRUPTCY COURT
NORTHERN & EASTERN DISTRICTS OF TEXAS
REGION 6**

MONTHLY OPERATING REPORT

MONTH ENDING: November 2019
MONTH YEAR

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT, AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY) IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:


ORIGINAL SIGNATURE OF RESPONSIBLE PARTY

Chief Restructuring Officer

TITLE

Bradley Sharp

PRINTED NAME OF RESPONSIBLE PARTY

12-31-19

DATE

PREPARER:


ORIGINAL SIGNATURE OF PREPARER

Chief Financial Officer

TITLE

Frank Waterhouse

PRINTED NAME OF PREPARER

12.31.19

DATE

Monthly Operating Report
ACCRUAL BASIS-1

CASE NAME:	Highland Capital Management, LP
CASE NUMBER:	19-12239-CSS

Comparative Balance Sheet

(in thousands)

	<u>10/15/2019</u>	<u>10/31/2019</u>	<u>11/30/2019</u>
Assets			
Cash and cash equivalents	2,529	2,286	6,343
Investments, at fair value ⁽³⁾	232,620	235,144	233,776
Equity method investees ⁽³⁾	161,819	161,813	175,381
Management and incentive fee receivable	2,579	3,202	1,223
Fixed assets, net	3,754	3,672	3,601
Due from affiliates ⁽¹⁾	151,901	152,124	152,523
Other assets	11,311	11,260	10,621
Total assets	<u>\$ 566,513</u>	<u>\$ 569,501</u>	<u>\$ 583,468</u>
Liabilities and Partners' Capital			
Pre-petition accounts payable ⁽⁴⁾	1,176	1,135	1,250
Post-petition accounts payable ⁽⁴⁾	-	102	236
Secured debt:			
Frontier	5,195	5,195	5,195
Jefferies	30,328	30,315	30,268
Accrued expenses and other liabilities ⁽⁴⁾	59,203	59,184	60,848
Accrued re-organization related fees ⁽⁵⁾	-	-	-
Claim accrual ⁽²⁾	73,997	73,997	73,997
Partners' capital	396,614	399,573	411,674
Total liabilities and partners' capital	<u>\$ 566,513</u>	<u>\$ 569,501</u>	<u>\$ 583,468</u>

⁽¹⁾ Includes various notes receivable at carrying value (fv undetermined).

⁽²⁾ Uncontested portion of claim less applicable offsets. Potential for additional liability based on future events. No interest has been accrued beyond petition date.

⁽³⁾ Mark to market gains/(losses) on investments include pricing updates for publicly traded securities and other positions with readily available market price information. Limited partnership interests normally marked to a NAV statement have not been updated as of period end as statements are generally available on a one-month lag.

⁽⁴⁾ Note on accruals: expenses recorded in Accounts Payable and Accrued Expenses and Other Liabilities reflect invoices recorded through accounts payable, legal invoice accruals, and normal course operating accruals, but do not reflect estimates for other incurred, but not yet received invoices. For balance sheet dates other than the Petition Date, amounts include both pre-petition and post-petition liabilities.

⁽⁵⁾ Debtor funded various retainers totaling \$790k prior to the petition date, which were entirely expensed prior to the petition date. No additional amounts were accrued between October 16, 2019 and November 30, 2019

Monthly Operating Report

ACCRUAL BASIS-2

CASE NAME:	Highland Capital Management, LP
CASE NUMBER:	19-12239-CSS

Income Statement ¹

(in thousands)

	Date	Month ended	Filing to Date
	10/16/19 - 10/31/19	11/30/2019	
Revenue:			
Management fees	975	1,638	2,613
Shared services fees	283	709	992
Other income	99	418	517
Total operating revenue	1,357	2,765	4,122
Operating expenses:			
Compensation and Benefits	997	1,936	2,932
Professional services	256	90	346
Investment research and consulting	10	34	44
Marketing and advertising expense	-	35	35
Depreciation expense	82	82	164
Other operating expenses	201	480	681
Total operating expenses	1,545	2,657	4,202
Operating income/(loss)	(188)	108	(80)
Other income/expense:			
Interest income	250	484	735
Interest expense	(107)	(103)	(211)
Re-org related expenses ⁽²⁾	-	-	-
Other income/expense	32	-	32
Total other income/expense	175	381	555
Net realized gains/(losses) on investments	339	279	618
Net change in unrealized gains/(losses) of investments ⁽³⁾	2,654	(2,004)	650
	2,993	(1,725)	1,268
Net earnings/(losses) from equity method investees ⁽³⁾	(20)	13,468	13,448
Net income/(loss)	\$ 2,959	\$ 12,232	\$ 15,192

(1) Note on accruals: expenses recorded in the Income Statement reflect invoices recorded through accounts payable, legal invoice accruals, and normal course operating accruals, but do not reflect estimates for other incurred, but not yet received invoices.

(2) Debtor funded various retainers totaling \$790k prior to the petition date, which were entirely expensed as of the petition date. No additional amounts were accrued between October 16, 2019 and November 30, 2019

(3) Mark to market gains/(losses) on investments include pricing updates for publicly traded securities and other positions with readily available market price information. Limited partnership interests normally marked to a NAV statement have not been updated as of period end as statements are generally available on a one-month lag.

Monthly Operating Report
ACCRUAL BASIS-3A

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054

CASH RECEIPTS AND DISBURSEMENTS	OCTOBER	NOVEMBER	DECEMBER	QUARTER
1. CASH - BEGINNING OF MONTH ²	\$2,554,230	\$2,286,160		\$2,554,230
RECEIPTS FROM OPERATIONS				
2. OTHER OPERATING RECEIPTS	\$6,911.97	\$972,733		\$979,644
3. MANAGEMENT FEES AND OTHER RELATED RECEIPTS	\$15,000.00	\$1,764,749		\$1,779,749
COLLECTION OF ACCOUNTS RECEIVABLE				
4. PREPETITION	\$46,425	\$2,962,108		\$3,008,534
5. POSTPETITION ¹	-	-		-
6. TOTAL OPERATING RECEIPTS	\$68,337	\$5,699,590		\$5,767,928
NON-OPERATING RECEIPTS				
THIRD PARTY FUND ACTUAL/EXPECTED DISTRIBUTIONS				
7	\$79,266	\$320,836		\$400,103
8. DIVS, PAYDOWNS, MISC FROM INVESTMENT ASSETS	\$410,189	\$501,983		\$912,172
9. OTHER (ATTACH LIST)				\$0
10. TOTAL NON-OPERATING RECEIPTS	\$489,456	\$822,820		\$1,312,275
11. TOTAL RECEIPTS	\$557,793	\$6,522,410		\$7,080,203
12. TOTAL CASH AVAILABLE	\$3,112,023	\$8,808,570		
OPERATING DISBURSEMENTS				
13. PAYROLL, BENEFITS, AND TAXES + EXP REIMB	\$737,588	\$961,282		\$1,698,869
14. SINGAPORE SERVICE FEES	\$34,633	\$32,555		\$67,189
15. HCM LATIN AMERICA		\$100,000		\$100,000
16. THIRD PARTY FUND CAPITAL CALL OBLIGATION		\$967,555		\$967,555
17. UTILITIES				\$0
18. INSURANCE				\$0
19. INVENTORY PURCHASES				\$0
20. VEHICLE EXPENSES				\$0
21. TRAVEL				\$0
22. ENTERTAINMENT				\$0
23. REPAIRS & MAINTENANCE				\$0
24. SUPPLIES				\$0
25. ADVERTISING				\$0
26. OTHER (ATTACH LIST)	\$53,642	\$404,581		\$458,223
27. TOTAL OPERATING DISBURSEMENTS	\$825,863	\$2,465,973		\$3,291,836
REORGANIZATION EXPENSES				
28. PROFESSIONAL FEES				\$0
29. U.S. TRUSTEE FEES				\$0
30. OTHER (ATTACH LIST)				\$0
31. TOTAL REORGANIZATION EXPENSES	\$0	\$0		\$0
32. TOTAL DISBURSEMENTS	\$825,863	\$2,465,973		\$3,291,836
33. NET CASH FLOW	(\$268,070)	\$4,056,437		\$3,788,367
34. CASH - END OF MONTH	\$2,286,160	\$6,342,598		\$6,342,598

1 All postpetition receipts are included in line 3, Management Fees and Other Related Receipts.

2 Beginning cash in October represents the bank balance as of the filing date, while the cash amount shown on the balance sheet includes any outstanding checks.

Monthly Operating Report
ACCRUAL BASIS-3B

CASE NAME:	Highland Capital Management
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OPERATING DISBURSMENTS - OTHER

Date	Amount	Vendor
11/1/2019	\$ 155,983	Crescent TC Invest
11/1/2019	26,667	Third Party Consultant
11/1/2019	13,636	Third Party Consultant
11/8/2019	33,007	Platinum Parking
11/8/2019	1,053	Gold's Gym International
11/12/2019	1,525	MicroTel
11/15/2019	1,951	Compass Bank Operating
11/18/2019	2,047	Zayo
11/20/2019	2,894	Third Party Consultant
11/25/2019	24,232	Coleman Research Group, Inc.
11/26/2019	3,092	Canteen Vending
11/26/2019	925	UPS Small Package
11/26/2019	671	SolarWinds
11/26/2019	7,995	Intralinks Inc
11/26/2019	56,522	Houlihan Lokey Financial Advisors
11/26/2019	9,259	Willis of Texas, Inc.
11/26/2019	8,846	GrubHub for Work
11/29/2019	31,894	Third Party Consultant
11/29/2019	11,000	Third Party Consultant
11/29/2019	11,382	Verity Group
	\$ 404,581	

Monthly Operating Report
ACCRUAL BASIS-4

CASE NAME:	Highland Capital Management
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MGMT FEE RECEIVABLE AGING ²	SCHEDULE AMOUNT	October	November	December
1. 0-30	\$ 2,578,744	\$ 3,201,548	\$ 1,222,880	
2. 31-60		\$0		
3. 61-90		\$0		
4. 91+		-		
5. TOTAL MGMT FEE RECEIVABLE	\$ 2,578,744	\$ 3,201,548	\$ 1,222,880	\$0
6. AMOUNT CONSIDERED UNCOLLECTIBLE				
7. MGMT FEE RECEIVABLE (NET)	\$ 2,578,744	\$ 3,201,548	\$ 1,222,880	\$0

AGING OF POSTPETITION TAXES AND PAYABLES			MONTH: November 2019		
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL					\$0
2. STATE					\$0
3. LOCAL					\$0
4. OTHER (ATTACH LIST)					\$0
5. TOTAL TAXES PAYABLE	\$0	\$0	\$0	\$0	\$0

6. ACCOUNTS PAYABLE	\$215,777	\$20,059			\$235,836
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STATUS OF POSTPETITION TAXES ¹		MONTH: November 2019		
FEDERAL	BEGINNING TAX LIABILITY	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1. WITHHOLDING				\$0
2. FICA-EMPLOYEE				\$0
3. FICA-EMPLOYER				\$0
4. UNEMPLOYMENT				\$0
5. INCOME				\$0
6. OTHER (ATTACH LIST)				\$0
7. TOTAL FEDERAL TAXES	\$0	\$0	\$0	\$0
STATE AND LOCAL				
8. WITHHOLDING				\$0
9. SALES				\$0
10. EXCISE				\$0
11. UNEMPLOYMENT				\$0
12. REAL PROPERTY	\$ 16,472	\$0	\$0	\$16,472
13. PERSONAL PROPERTY				\$0
14. OTHER (ATTACH LIST)				\$0
15. TOTAL STATE & LOCAL	\$16,472	\$0	\$0	\$16,472
16. TOTAL TAXES	\$16,472	\$0	\$0	\$16,472

1 The Debtor funds all state and federal employment taxes to Paylocity, who files all required federal and state related employment reports and withholdings.

2 Aging based on when management fee is due and payable.

Monthly Operating Report
ACCRUAL BASIS-5

CASE NAME:	Highland Capital Management
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MONTH: November 2019

BANK RECONCILIATIONS	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BBVA Compass	East West Bank	East West Bank	Maxim Group	Jefferies LLC	Nexbank	TOTAL
B. ACCOUNT NUMBER:	x6342	x4686	x4693	x1885	x0932	x5891	
C. PURPOSE (TYPE):	Operating	Operating	Insurance	Brokerage	Brokerage	CD	
1. BALANCE PER BANK STATEMENT ¹	\$229,247	\$5,477,826	\$105,067	\$164	\$410,108	\$135,205	
2. ADD: TOTAL DEPOSITS NOT CREDITED							\$0
3. SUBTRACT: OUTSTANDING CHECKS	\$15,019						\$15,019
4. OTHER RECONCILING ITEMS							\$0
5. MONTH END BALANCE PER BOOKS	\$214,228	\$5,477,826	\$105,067	\$164	\$410,108	\$135,205	\$6,342,598
6. NUMBER OF LAST CHECK WRITTEN	18133	100001	n/a	n/a	n/a	n/a	

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE				CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS			\$0				\$0

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$6,342,598

¹ For Compass account x6342, funds transferred in December such that only sufficient cash to cover outstanding checks remains

Monthly Operating Report
ACCRUAL BASIS-6

CASE NAME:	Highland Capital Management
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MONTH: November 2019

PAYMENTS TO INSIDERS AND PROFESSIONALS

INSIDERS				
	NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID TO DATE
1	Frank Waterhouse	Salary	\$29,167	\$43,750
2	Frank Waterhouse	Expense Reimbursement	\$339	\$506
3	Scott Ellington	Salary	\$37,500	\$56,250
4	Scott Ellington	Expense Reimbursement	\$84	\$2,010
5	James Dondero	Salary	\$46,875	\$70,313
6	James Dondero	Expense Reimbursement ¹	\$11,255	\$15,269
7	Thomas Surgent	Salary	\$33,333	\$50,000
8	Thomas Surgent	Expense Reimbursement	\$224	\$248
9	Trey Parker	Salary	\$29,167	\$43,750
10	Trey Parker	Expense Reimbursement	\$207	\$425
TOTAL PAYMENTS TO INSIDERS			\$188,151	\$282,519

¹ The total amount of reimbursements also included \$83,358 for use of the credit card by the Debtor for office related expenses such as subscriptions, employee lunches, vending supplies, IT equipment/software, employee gifts/awards, training, postage and charitable donations.

PROFESSIONALS ²						
NAME		DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE	TOTAL INCURRED & UNPAID
1.						
2.						
3.						
4.						
5.						
6. TOTAL PAYMENTS TO PROFESSIONALS				\$0	\$0	\$0

² Does not include payments to ordinary course professionals.

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

	NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1.	Crescent TC Investors LP (rent portion only)	130,364	130,364	-
2.				
3.				
4.				
5.				
6.	TOTAL	130,364	\$130,364	\$0

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ACCRUAL BASIS-7

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054

MONTH: November 2019

QUESTIONNAIRE

	YES	NO
1. HAVE ANY ASSETS BEEN SOLD OR TRANSFERRED OUTSIDE THE NORMAL COURSE OF BUSINESS THIS REPORTING PERIOD?		x
2. HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?	x	
3. ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?	x	
4. HAVE ANY PAYMENTS BEEN MADE ON PREPETITION LIABILITIES THIS REPORTING PERIOD?	x	
5. HAVE ANY POSTPETITION LOANS BEEN RECEIVED BY THE DEBTOR FROM ANY PARTY?		x
6. ARE ANY POSTPETITION PAYROLL TAXES PAST DUE?		x
7. ARE ANY POSTPETITION STATE OR FEDERAL INCOME TAXES PAST DUE?		x
8. ARE ANY POSTPETITION REAL ESTATE TAXES PAST DUE?		x
9. ARE ANY OTHER POSTPETITION TAXES PAST DUE?		x
10. ARE ANY AMOUNTS OWED TO POSTPETITION CREDITORS DELINQUENT?		x
11. HAVE ANY PREPETITION TAXES BEEN PAID DURING THE REPORTING PERIOD?		x
12. ARE ANY WAGE PAYMENTS PAST DUE?		x

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.

- | | |
|---|--|
| 2 | \$1,206,592 of funds paid from non-debtor in possession accounts, while those accounts were in the process of being opened. |
| 3 | Debtor generates fee income and other receipts from various related parties in normal course, see cash management motion for further discussion. |
| 4 | Payments have been made on prepetition liabilities, as approved in the critical vendor motion. |

INSURANCE

		YES	NO
1.	ARE WORKER'S COMPENSATION, GENERAL LIABILITY AND OTHER NECESSARY INSURANCE COVERAGES IN EFFECT?	x	
2.	ARE ALL PREMIUM PAYMENTS PAID CURRENT?	x	
3.	PLEASE ITEMIZE POLICIES BELOW.		

IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "NO," OR IF ANY POLICIES HAVE BEEN CANCELLED OR NOT RENEWED DURING THIS REPORTING PERIOD, PROVIDE AN EXPLANATION BELOW. ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSTALLMENT PAYMENTS			
TYPE OF POLICY	CARRIER	PERIOD COVERED	PAYMENT AMOUNT & FREQUENCY